

OPTIONAL FORM NO. 10
MAY 1962 EDITION
GSA FPMR (41 CFR) 101-11.6

UNITED STATES GOVERNMENT

50 **Memorandum**

~~SECRET~~

TODAY - 12:15

TO : NEA - Mr. Sisco

DATE: March 6, 1969

FROM : NEA/IRN - Theodore L. Eliot, Jr. RL

3/4/69
1RN

SUBJECT: Your Meeting with Iranian Ambassador Ansary, Thursday, March 6, 1969
at 12:15 p.m.: BRIEFING MEMORANDUM

The Ambassador is calling at his request. He has indicated that he has two things on his mind: oil and any late developments on the Arab-Israeli situation as a result of the President's trip to Europe. I have told him, on the second subject, that I was sure you would tell him what you could.

Regarding oil, I had a good talk with him yesterday evening, the record of which is attached. He appears to be as eager as we are to have this year's problem settled. He feels that the Consortium's justification of its inability to meet Iran's demands is weak, especially concerning its failure to give Iran increases which at least match the average increase for the area and concerning its member companies' activity in the Sheikdoms. He has instructions to make a formal demarche to the Department.

I suggest you make the following points in response:

1. We have no control over the policies of the American companies, and it would be inappropriate for us to make any specific suggestions to them with respect to their policies. We have, however, passed on to them the substance of Prime Minister Hoveyda's statements to Ambassador Meyer. The companies have made it clear to us that they will not be able to meet Iran's demands for \$1 billion in revenues for the next Iranian year, and they have told us nothing that would lead us to believe that they can improve in any significant way on their offer of \$900 million. In short, Iran's demands pose serious problems for the companies.

2. We hope that no rash action will be taken as a result of the discussion between the Consortium delegation and the GOI in Tehran next week.

3. We hope that discussions will continue in the spirit of the mutually profitable relationship that has existed for many years between the Consortium and the GOI.

Attachment:
Memo of Conversation, 3/5/69

Clearance: E/FSE-J.E. Akins JEH

Pol 17 Iran - US State Dept - 2

DECLASSIFIED

Authority

969003

By

Date 7/1/02

DECLASSIFIED

PA/HO Department of State

E.O. 12958, as amended

June 21, 2006

~~SECRET~~

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: March 5, 1969

SUBJECT: Iranian Oil Dispute

PARTICIPANTS: His Excellency Hushang Ansary, Ambassador of Iran
Theodore L. Elliot, Jr., Country Director for Iran

Copies to: NEA
NEA/IRN
E/FSE

Embassy Tehran
Embassy London

I called on the Ambassador at his request to discuss the current dispute between the Iranian Government and the Oil Consortium. The Ambassador inquired about the position which the Consortium delegation will take in its talks in Tehran next week.

I told the Ambassador that I did not know what position the delegation would take. From the talks we have had with the companies, however, it seems clear that they will not be able to meet the Iranian request for \$1 billion in revenues for the next Iranian year (1348). In fact, nothing that I had heard led me to believe that the Consortium could improve on its current offer of \$900 million in any significant way. I said that different company officials say different things, with a range in outlook from those who hope to keep the door open for further discussions in order to avoid a blow-up to those who are tired of the constant pressure from the Iranian side and believe the time has come for a showdown.

The Ambassador said that he could not understand this talk about pressure from the Iranian Government. If the Iranians had put on a lot of pressure last year, why was it that Iran's offtake increased by the same amount as Saudi Arabia's? If Iran had put pressure on the companies, it certainly didn't appear to have produced any results. In addition, he was not convinced by another company argument to the effect that threats of unilateral action by Iran force the companies to diversify their position and to expand their operations

NEA/IRN:TLEllot, Jr.:psw 3/6/69

(Drafting Office and Officer)

~~SECRET~~

~~SECRET~~

2

in the Sheikhdoms. How can the companies, after so many years of good relations with Iran, feel that their investment will be safer in Arab countries who less than two years ago acted against the companies? Finally, and most importantly, he could not understand the Consortium's argument that Iran would be treated equitably when in fact offtake from Iran was increasing at a slower rate than that of the area as a whole. In short, the Government of Iran was willing to discuss this matter with the companies, but the companies had to have more credible justifications for their positions than they have so far put forward.

I said that the companies make the point to us that over the years, and especially during the past two years, they have increased their liftings from Iran at at least the average rate of increase for the area as a whole. In 1968, this did not happen, partly because of the economics favoring full use of the reopened IPC pipeline. The Ambassador noted that the companies made good in one year production in the Arab countries whose own actions had disrupted their activities, whereas it had taken 17 years for Iran to recover from the Mosadeq era.

I told the Ambassador that it is my hope that both sides would want to keep the discussions going and that next week's meetings in Tehran would not result in hasty or rash action by anyone. At the same time, it was clear that such a discussion was going to be difficult because the companies find Iran's demand for \$1 billion out of the question. I asked if the companies could expect any give in the Iranian position.

The Ambassador noted that the Prime Minister had told Ambassador Meyer that the Government of Iran is willing to grant any request by the companies for an extension of time and for further discussions. If the companies were to request such an extension, it would not be taken to mean that they were planning to improve their offer.

I mentioned to the Ambassador that one of the problems is that, given the figures for oil revenues in Iran's Fourth Plan, the situation will become worse in each of the next three years. This aspect of the matter disturbs the companies too.

The Ambassador agreed that this was a problem. We both agreed that this year's dispute and any similar disputes in future years could have repercussions on other aspects of our bilateral relations. We

~~SECRET~~

DECLASSIFIED

Authority

969003

By

AK

Date

7/1/02

DECLASSIFIED

PA/HO Department of State

E.O. 12958, as amended

June 21, 2006

~~SECRET~~

3

agreed further that the time had come for all concerned to think seriously about how such disputes can be avoided. The Ambassador expressed the hope that not only could the dispute this year and the next three years be resolved but that the overall relations between Iran and the Consortium could be put on a firmer foundation for the next several years ahead so that neither country would have to worry about this problem.

~~SECRET~~

~~SECRET~~